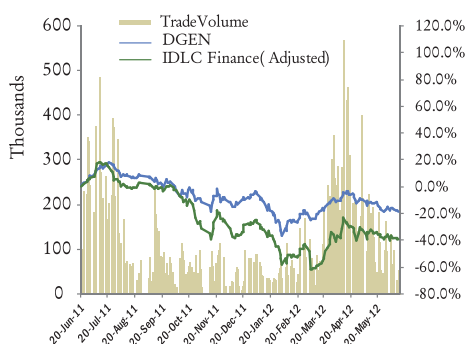


IDLC Finance Limited

Company Snapshot	
Paid-up Capital (BDT mn.)	1237.50
Total No. of Securities (mn.)	123.75
Free Float (estimated)	21.54%
Market Capitalization (mn.)	14515.2
52 Week Price Range	71.5-238.0
Average Daily Turnover (mn.)	.096Mn
Face Value (BDT)	Tk. 10
Market Lot	200
Category	A

Source: DSE & LBSL Research

Comparative price performance



Source: DSE & LBSL Research

PRICE PERFORMANCE			
Price Performance (%)	3 M	6 M	12 M
IDLC Finance	-17%	-3%	-40%
DGEN	-14%	-2%	-20%

Business Growth Statistics			
Particulars	In 2011	CAGR-3 Years	Industry Growth (CAGR-3Years)
Operating Income	-29%	22%	26%
Earnings Growth	-62%	7%	36.95%
Loan Growth	24.01%	19.21%	20.04%
Investment Income Growth	-121%	-185%	10.92%
Assets Growth	8%	21%	20%
Equity Growth	8%	35%	40.88%

Investment Overview

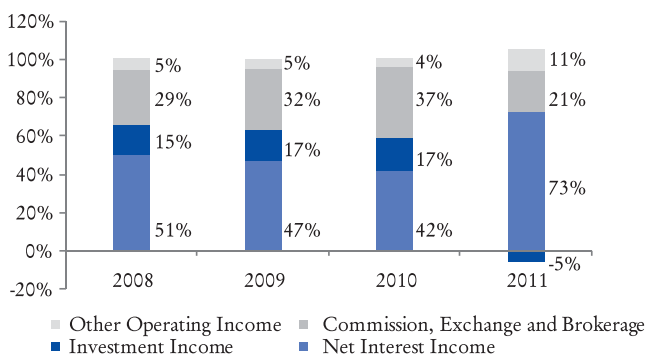
- IDLC Finance Ltd. started as a leasing company in the mid eighties. It was established with the collaboration of reputed international development agencies like KDLC, South Korea, Kookmin Bank, South Korea, IFC, Aga Khan Fund for Economic Development (AKFED), German Investment and Development Company (DEG). At the beginning of its operation it was focused to the leasing business. Later on, it expanded its business area to factoring, long term financing and other types of financing business.
- After 2000, the company changed its focus. It converted itself from a leasing company to a multi product financial institution that generates its revenue side by side from traditional lease financing business and capital market operations. Last year capital market operations contributed 38% of its total profit compared to 62% in the year before that. Contribution of leasing business is declining day by day. Last year its contribution to profit was approximately 32%.
- Except for past year trend showed the steadily increasing contribution from capital market operations. Last year contribution of capital market operation declined as the capital market activity has faltered significantly. It's once core business of leasing is declining sharply. This trend is persistent in the overall financial industry.
- Overall profitability of the company is increasing during the last three years and expected to continue in the forcible future. ROE declined from 43% to 25%, asset growth decelerated to 8%. Cost of fund has risen sharply due to acute liquidity crisis in the money market.
- Increased exposure to capital market makes the financial institutions vulnerable to drastic fall in the market. IDLC Finance Ltd. is not different from that. A prolonged correction will put significant downward pressure on the bottom line.
- Compared to peer NBFIs asset quality of IDLC Finance Ltd. is relatively better. According to data of 2011 non-performing loan of IDLC Finance Ltd. stands at 2.3% compared to 3.14% in 2010. Overall provisioning coverage (15%) is also poor reflecting inadequate provisioning.
- Based on the current market price of 118.10 per share (May, 2012), IDLC Finance is trading at 29.28 times according to audited P/E, 17.3 times according to forward P/E and 2.94 P/BV respectively.

Analyst Observation

- Last year operating earnings and net earnings showed negative growth. This trend may continue in coming years.
- IDLC has written off almost all the investment related losses in the year 2011. This had negative impact on consolidated earnings. From next year there will be an expected growth in consolidated earnings as there will not be anymore writ off.
- Net interest income of IDLC is expected to grow, but the interest spread will decline due to high cost of fund.
- Investment income is expected to be flat but non-negative.
- Commission, exchange and brokerage income will continue to decline due to low turnover in DSE.
- Disbursement of loans and advances will continue to grow although NPL is unlikely to decline.

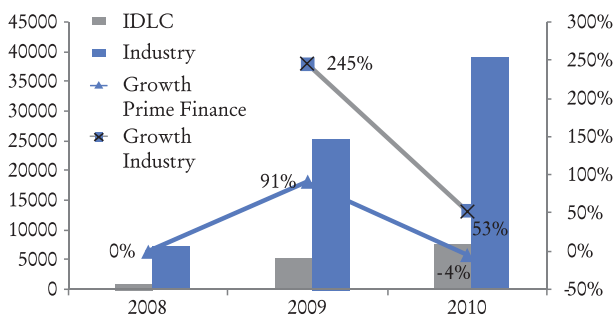
Detailed Analysis of Key Financials and Comparison with the Industry

Contribution of Different Segments in Operating Income



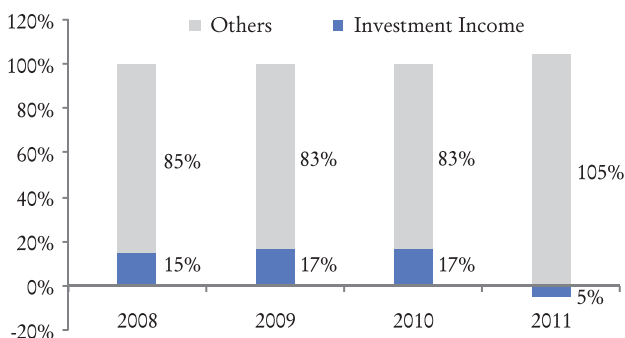
Source: LBSL Research

Margin Loan & Growth



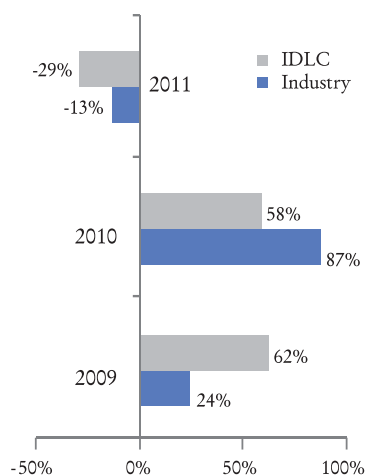
Source: LBSL Research

Contribution of Investment Income in Operating Income



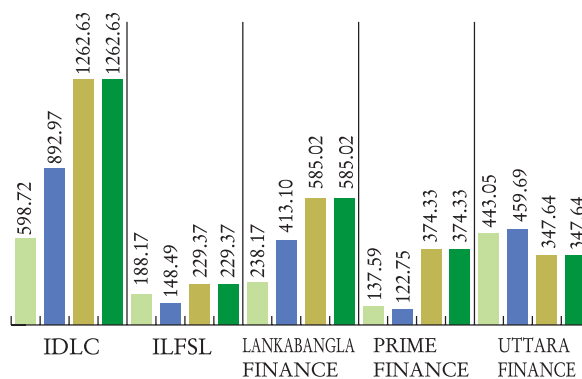
Source: LBSL Research

Operating Income Growth



Source: LBSL Research

Net Interest Income of Major 5 NBFIs

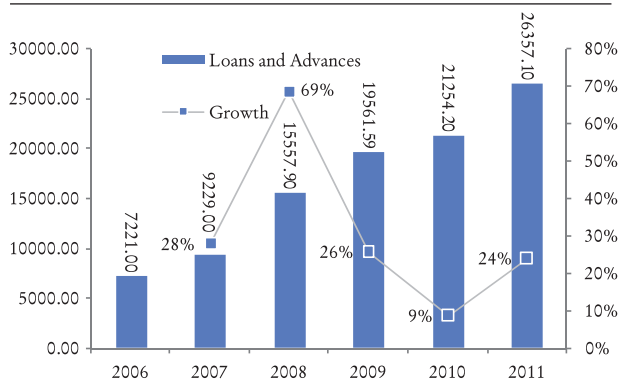


Source: LBSL Research

Major Broking NBFIs	Market Share		
	2008	2009	2010
LankaBangla	7.4%	6.7%	6.1%
ICB	7.3%	4.8%	4.5%
Prime finance	2.8%	3.3%	2.8%
IDLC	4.3%	3.7%	2.1%
ILFSL	0.2%	1.4%	1.7%
UCAP	1.3%	1.5%	1.1%

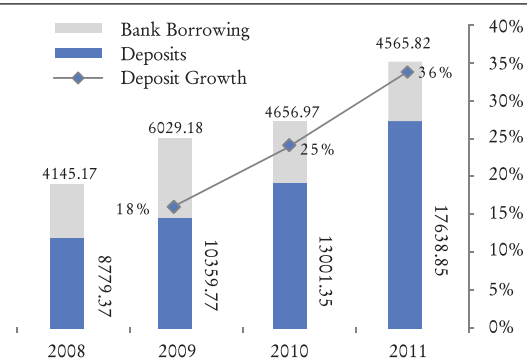
Source: LBSL Research

Loans and Advances and Growth



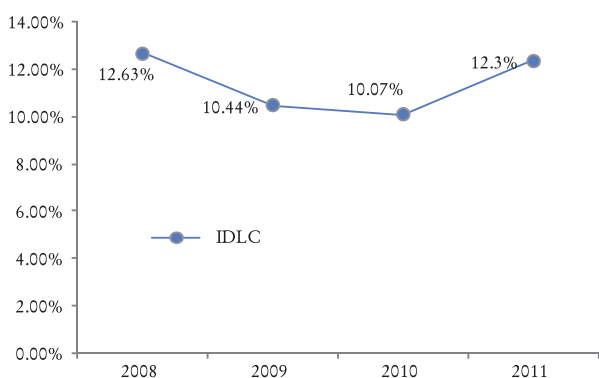
Source: LBSL Research

Composition of Funding Source



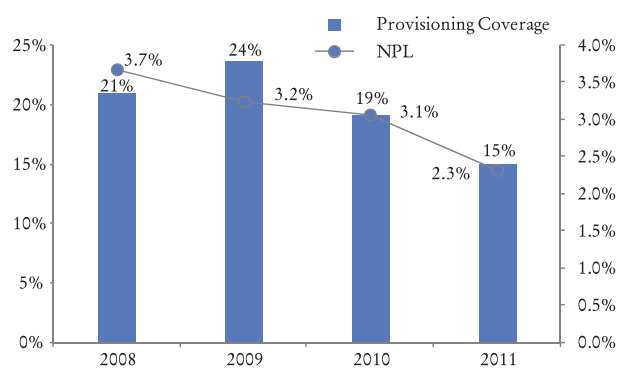
Source: LBSL Research

Cost of Fund



Source: LBSL Research

NPL and Provisioning Coverage



Source: LBSL Research

Key Ratios

Return Ratios	2008	2009	2010
Net Interest Margin	3.54%	4.19%	4.31%
Yield on Advances	13.83%	14.51%	14.96%
Yield on Investments	50.80%	91.35%	-19.62%
Cost of Deposits	10.29%	10.32%	10.65%
Return on Average Assets	6.25%	7.67%	3.29%
Return on Average Equity	63.00%	62.57%	24.93%
Effective Tax Rate	1.41%	0.94%	2.71%
Efficiency Ratios	2008	2009	2010
Net Interest Income/ Net Total Income	46.69%	41.71%	73.05%
Non Interest Income/ Total Income	53.31%	58.29%	26.95%
Interest Expended/ Interest Earned	65.39%	59.07%	59.98%
Cost To Income	25.59%	31.25%	42.29%
Opex/ Avg. Assets	1.21%	1.91%	1.57%
C-D Ratio	188.82%	163.48%	149.43%
Credit/Assets	86.25%	78.92%	84.57%
Loan growth	25.73%	8.65%	24.01%
Deposits/Assets	45.68%	48.28%	56.60%
Deposit Growth	18.00%	25.50%	35.67%

Growth Ratios	2008	2009	2010
Adjusted Book Value	48.52%	54.20%	7.87%
Advances	25.73%	8.65%	24.01%
Deposits	18.00%	25.50%	35.67%
Investments	81.98%	-9.79%	-4.50%
Net Interest Income		41.40%	24.95%
Non Interest Income		73.02%	-67.00%
Net Total Income		58.26%	-28.65%
Pre Provisioning Profit	-92.61%	-94.88%	-95.40%
Net Profit	80.82%	50.87%	-49.76%
EPS	80.82%	50.87%	-49.76%

Source: LBSL Research

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